



Presented by
the Worshipful Company
of Goldsmiths.
1903.

SOLVENCY GUARANTEED.

An Address

TO THE

BANKERS, MERCHANTS, LANDLORDS, ETC.

OF GREAT BRITAIN;

BEING

THE OUTLINE OF A PLAN

FOR

THE APPLICATION OF ASSURANCE

TO

DEBTS, BILLS OF EXCHANGE,

PROMISSORY NOTES, RENT, & MONETARY RISKS

OF EVERY DESCRIPTION:

WITH

A SUGGESTION FOR THE ECONOMICAL MANAGEMENT OF EMBARRASSED ESTATES, COMBINED WITH THE GUARANTEE OF DIVIDENDS AND COMPOSITIONS THEREON.

BY

C. S. CANSDELL.

"The System of Assurance must be regarded as incomplete, while it remains unextended to the immense amount of Capital constantly adventured in Trade, and invested in Rentals."—*Vide page 14.*

—"The common interest of every Man in Britain."—JUNIUS.

SECOND EDITION.

LONDON:

G. MANN, 39, CORNHILL; MITCHELL AND SON,
39, CHURCH CROSS.

1850.

Price Sixpence.

EAST LONDON PRINTING OFFICE,
WILLIAM MYERS, PRINTER, 202, WHITECHAPEL ROAD,
NEAR THE LONDON HOSPITAL.

ADVERTISEMENT TO THE FIRST EDITION.

THE Subject of the following Address has occupied the Author for several years. Received at first with little favor, by some even with derision, (for no more weighty reason perhaps than its novelty,) it slowly worked its way to a more favourable reception, and many, upon whose judgment and experience he can confidently rely, are now disposed to regard the project with approbation.

Encouraged by a judicious few to persevere, he had laboured assiduously in the face of many difficulties and amidst the pressure of other occupations to mature his plans, and towards the Spring of 1848 had collected such a mass of statistical evidence, and so far perfected his arrangement, as enabled him to lay the result before his friends by printed proposals.

About the same time also the Writer's attention was called to an article in the "*Times*," cursorily reviewing a pamphlet by Mr. R. WATT, wherein this very subject was put forward as a suggestion; and the opinion of the Editor appeared to be, that the suggestion was worthy of attention, and (though no plan of operation was proposed,) might lead to a practical realization. Finding his hands strengthened by such authority, the Author took care to bring this article under the notice of his friends, together with the pamphlet itself, which he procured for that purpose; it is unnecessary to remark that he has borrowed nothing from the latter, since Mr. WATT has therein confined himself to merely general observations. He has had no communication direct or indirect with Mr. WATT, of whose views and intentions he is altogether uninformed, but understands that gentleman to be engaged upon a project of the same nature, and to have held a Meeting on the subject. Competition however is not only to be expected, but courted, since the field of operation is vast, and the Writer's object is not to assume exclusive merit, but to benefit the Public, and to earn a reward in the success of his own undertaking.

In the July following the publication of the above-mentioned proposals, a Meeting of the Writer's friends was held at Exeter Hall, with the view of forming a Company, at which the project was favourably entertained, but in deference to the opinion of a gentleman, who rendered and continues to render valuable assistance and co-operation, all further steps in the matter were postponed until the state of trade, then critical, should revive; as well as to afford opportunity for some further researches, and time for familiarizing the public mind with the scheme.

In June of the present year (1849,) the proposed Association was once more brought forward, and receiving the approval of an eminent Actuary, whose Certificate will be found in the Appendix, was in July last Provisionally Registered for carrying out the objects of which an outline is here presented.

ADVERTISEMENT TO THE SECOND EDITION.

THIS Pamphlet has been most favourably received by the Press and the Public, and the First Edition being exhausted, a re-issue has become necessary—contemplating which re-issue, it was my intention to materially enlarge the Appendix, by adding documents confirmatory of the fact upon which some stress is laid in the body of this Address—viz: the actual practice of Debt Insurance in foreign countries.

I am now, however, persuaded that to increase the bulk of this little work for such a purpose, is neither necessary nor advisable, since, while its circulation has done so much by exciting Public interest upon the subject, and by removing existing doubts and misapprehensions, to smooth the way towards the ultimate realization of my views, the fact adverted to has not been contested in any quarter. Indeed, to judge from the comments with which my Address has been honored by journals of high standing, as well as from the experience of a personal canvass among some of the leading firms of this metropolis, I am justified in considering the principles advanced to be fully acknowledged.

It now, therefore, only remains by more extended publicity to widen the basis upon which I hope to see my project at length firmly established. The chief impediment still to be overcome, is evidently not want of faith in the principle, novel as that may be, but rather the opposition offered by interests which its complete triumph is likely to affect; for since the appearance of this publication, steps have been taken by other parties indicating extreme readiness to avail themselves, independently, of such parts of my scheme as will consist with particular interests.

C. S. C.

11, MONTAGUE PLACE, ISLINGTON,
June 1st, 1850.

TO THE

BANKERS, MERCHANTS, LANDLORDS, ETC.

OF GREAT BRITAIN.

GENTLEMEN,

The importance to national as well as particular interests of the purpose I have in view, is my apology for trespassing upon your attention.

The objects which I submit to your consideration are, firstly, Objects of this Address. the application of the principles of Assurance to the Guarantee of Debts, Bills of Exchange, Promissory Notes, Banking Accounts, Bonds, Rent, and Monetary Risks of every description; and secondly—the establishment of an economical system for the Administration of Bankrupt and Insolvent Estates, combined with the Guarantee of Dividends and Compositions thereon. Annual amount of Insolvency. Considering that the losses resulting from Insolvency of Debtors are estimated for the United Kingdom to average annually £65,000,000 Sterling—a sum about equal to the entire Government and Local Taxation of the Country, inclusive of the Interest of the National Debt, it is presumed that no improvement in trading economy can be more deserving public attention than that of an Institution for the purposes suggested.

Personal vigilance does not suffice to protect property from the risks in question, any more than from other casualties affecting it, and hence the importance of enquiring whether Loss—how evitable.

such risks may not be annulled by an adoption of the principles of Assurance.

General
principles of
Assurance.

With the nature of those principles in general I presume that few persons are unacquainted, and all can easily conceive that the destruction of a Manufactory, or the loss of a Ship, are either of them a calamity ruinous if it fall upon an individual, but that diffused among many the loss becomes inconsiderable to each, decreasing in proportion to the number interested; and provided statistial data be not wanting, by means whereof the average loss upon any kind of property can be accurately determined, a per centage is thus fixed, which, with a certain addition for profit, constitutes the premium, in consideration of which Assurance may be safely undertaken by an Individual or by a Company.

Applicable
to Trade
Debts, &c.

The principle is applicable to Casualties of every class whereof the records are constant and complete. Advantage has been already taken of it to neutralize many kinds of calamity, and I purpose to shew by indisputable evidence, the great importance and propriety of extending the system to the Assurance of Commercial Capital constantly adventured on Credit.

The announcement of a project for the Assurance of Bankers and Traders against losses by Bad Debts, and of Landlords against loss of Rent, may be received with surprise—by some with incredulity,—but upon unprejudiced investigation it will become manifest that my theory is not fallacious, but is based upon calculations perfectly sound, and possesses urgent claims to the attention of the Commercial World.

Average of
Trade losses
determinable

The chief obstacle to the reception of this Theory by the general Public will consist in the supposed irregular and indeterminate nature of the events with which it has to deal. It may appear impossible to reduce occurrences apparently so variable, to a predetermined system. But this apparent irregularity has no existence except upon circumscribed and imperfect observation. Instead of such a partial examination, let a *sufficiently extended* periodical average be taken, and these variations submit themselves to the laws of probability—the results obtained are UNIFORM.

If we confine ourselves to any single year, the number of Insolvencies in any one or any number of Trades must of course exhibit a false proportion, exceeding or falling short of the true average, according as the year taken for example may have been prosperous or the reverse; but as we extend our observations over decennial or longer periods, discrepancies vanish, and returns in themselves anomalous, combine to afford, as I have said, uniform results.

Ascertained by sufficient¹ly extended survey, and reducible to uniformity.

Upon data so collected Assurance may be soundly based, and while the profit to be realized thereby may be calculated beforehand, more readily than is the case in many branches of Commerce, the Insurer exempts his adventure from all hazard, and speculation is converted into certain mutual profit.

Afford a solid basis for purposes of Assurance.

It is unnecessary for our purpose to examine into the *Causes of Insolvency*, remote or proximate; we are only concerned to establish, that the Statistics of Trade in this respect form no exception to the universal law which has been proved to govern those of Births, Marriages, Deaths, Diseases, Crimes, Shipwrecks, Fires, and other accidents, all of which Statistics it is well known, and many others of less importance, are susceptible of the nicest calculations, have been reduced to Tabular form, and afford equally proportioned results for equal periods.

Trading Statistics subject to laws of probability, like all others.

No class of accidents to which this sort of investigation has been applied has hitherto proved an exception to the rule; we have therefore *prima facie* reason to conclude, that the evils to which our attention is now directed obey the same law, and are to be obviated by the same means,—the now happily well understood means of Mutual Assurance.

But, Gentlemen, it is not with mere inference or conjecture that I have proposed to myself to amuse your minds or occupy your time; I have laboured for a series of years upon the collection, collation, and analysis of *facts*, and have proved to demonstration the correctness of my assumption. From parliamentary returns and other official documents, public records, gazettes, in short, from every attainable source, at the cost of vast toil and some pecuniary expence, I have drawn my materials; and I am at length in a position, not only to establish incontestibly the conclusion to which I have arrived, but like-

The fact positively demonstrated.

wise to furnish all the details requisite to the practical organization of the system of Assurance I would set on foot, as applicable to every branch of legitimate trade carried on in this country.

Solvency Assurance actually practised

Before concluding this part of my subject, permit me to adduce some instances from *existing practice*, whereby my theory of Solvency Assurance receives confirmation;—not that I rest my conviction upon collateral evidence of any kind, but I am sensible that, in seeking to convince the Public, the advantage afforded me by an appeal to your experience as Bankers, Merchants, etc. should not be overlooked.

by Insurance Brokers,

The practice is not unknown to Insurance Brokers, who, in consideration of an additional premium, will *guarantee* the solvency of an underwriter; but nothing is more common than the "*del credere*" of the Produce Broker, who, for an extra per centage upon sales, *guarantees* to his principal the realization of net proceeds at expiration of prompt, or in other words, *assures the solvency of the buyers*, whose names in such cases are not declared. In the same way, the Importer or Commission Merchant recharges, and thereby *assures* his correspondent.

Produce Brokers,

Commission Merchants,

and other Traders.

It is also the custom of some Traders to assure themselves from loss by charging upon all goods sold a certain per centage, equivalent to the presumed average defalcations of their debtors, opening for this purpose a regular debtor and creditor account—called perhaps the Bad Debt Account; and, indeed, every enhancement in the price of goods sold on credit, submitted to for credit's sake, may be regarded as a premium paid to a reserved fund for Self-Assurance.

Bill Discounters.

In the same position of Self-Assurer stands the Bill Discounter, who exacts a higher than the current rate of Discount in consideration of unusual risk.

Discounting "without recourse," especially as practised in America.

This however is not all, for though here perhaps less known,* the practice has all but universally obtained in New York and other American cities of *Guaranteeing Bills of*

* Discounting "*without recourse*" has of late become more frequent even in this country.

Exchange; that is to say, the discount for a consideration exempts the endorser from liability. This, consideration of course varying according to the character of the bill, as determined by the reputation of the other parties to it, is strictly a Premium of Assurance.

But the principle has attained in European cities to a still further developement. It is *common* with continental Bankers not only to *Guarantee Bills of Exchange*, but also *Ordinary Trade Debts*, upon the simplest, or even without any documentary acknowledgment of the debtor; *thus carrying out my views to the fullest extent*. The last-mentioned facts I have on good authority, for which I refer you to my Appendix.

Now if all this can be done by individuals, how much more advantageously, as regards both profit and safety, may this kind of business be transacted by a Company associated for that object, provided with machinery constructed for the purpose, and means of information commensurate with its requirements.

It needs no argument to prove that the system of Self-Assurance adverted to, however it may serve the Trader in ordinary times to equalize his losses, will afford little protection in periods of extraordinary depression; for then, though exposed to extra risk he is forced to cheapen, and will utterly fail him in those tremendous crises or panics which sometimes more or less suddenly overwhelm the Trading Community. Nay, the most prudent and sagacious man of business is at any time liable, from misplaced confidence or other unforeseen causes, to heavy if not insurmountable loss. Misfortunes of this nature, it is evident, can only be met by the organization of a Company on the most extensive scale, by whose operations alone the grand object of *Equalization* can be effectuated, the loss no longer ruinous to the honest and prudent Individual, be spread in an extremely comminuted shape over the Community, and the average loss of every Trader reduced to an unalterable limit. Such a Company and such a system once in operation, it is not too much to predict that those convulsions which from time to time occur with such fatal effect in the Mercantile World would, if still within the range of possibility, be suppressed at the outset.

Insurance of unsecured debts, an ordinary custom in Continental countries.

How much more safe and advantageous such transactions in the hands of a well-organized Company.

Losses confined to an equalized limit.

and Panics prevented.

One failure
causes many,

Who has not known instances in which the failure of one Commercial Firm, re-acting upon its connections in a continually extending circle, has set up a terrible growth of ruin ramifying into every corner of the land? What means short of those I contemplate could be adequate to stem the pressure of such a calamity, and by bearing the brunt of the first loss prevent the indefinite series which would otherwise follow in its train?

rendered in-
operative by
making good
first loss.

I shall not be expected, within the limits of a pamphlet, to expose in detail the system I design to adopt for the practical working out of my scheme, but the following may answer the purpose of illustration.

Example of
proposed
system.

To effect a Policy of Insurance upon a plurality of accounts, it will only be necessary for the Assured to deliver to the Company a Schedule of the Names of his Debtors, and the amount of Credit to be granted to each of them. No further particulars will be required, no inquisitorial powers arrogated on the part of the Company; for its own protection, however, the right must be reserved of rejecting persons unworthy of Credit. This will be obviously no drawback to the general utility of the system, since it will be little to the interest of the Company to exercise such a right, or to discourage Credit, except in cases where it could not under any circumstances be safely afforded.

Assurance of
Rent.

The Insurance of Rent is a subject requiring no elucidation; and the Company by charging itself with the collection likewise, will add materially to its profits, and greatly advantage Landlords, to whom the combination of services may be rendered at a rate little exceeding the commission usually paid upon mere collection, to say nothing of the privilege which may be accorded within certain limits of anticipating their Rentals.

Difficulties
& objections
considered.

Means have been devised, into which it is unnecessary now to enter, of removing all legal and other difficulties, and furnishing every requisite facility to Insurers of all classes. The difficulties alluded to are wholly of a secondary order, occurring chiefly in matters of form and detail, but that they are greater than usually attend the developement of any new project, especially one of such magnitude, or that they are insur-

mountable by ordinary sagacity, is a supposition incompatible with the just appreciation of fundamental principles.

Can it be objected that the cost of Assurance will be an obstacle to its adoption, by reason that the premiums paid must be met by an impost upon goods—thus causing the assured to compete *pro tanto* at a disadvantage with Non-Insurers? This objection has no value, because the risk of loss, which cannot be altogether evaded, has always entered into the calculations upon which prices are regulated, constituting as I have before said a premium for Self-Assurance. By the Trader, in whose calculations this element is reduced to its lowest term, the extreme of cheapness is most likely to be reached.

The expense
of Assurance
no valid
objection

May it be observed, that failures sometimes occur in numbers so great, and from causes so uncontrollable, as to defy prevision? I think I have already shown the fallacy of this argument. Is it to be supposed that more extravagant delusions are yet to shed their baneful influence upon Commerce—that scenes of more extensive ruin are yet before us than those through which we have already passed? It cannot be! Granted however, that the catastrophes which mark our past history are to have *their parallels* in times to come; well, these bygone calamities have all been reviewed and taken into account,—they are part and parcel of the facts upon which my conclusions are founded. Nevertheless, Gentlemen, if any of you entertain the opinion, from which I presume to differ,—that future periods of national distress may yet surpass and confound all former experience, then permit me to assure you that I have left a margin to the extent of all reasonable apprehensions, that we may take in if needful, and yet not exceed the limits within which Assurance would be resorted to with advantage. I beg you also to bear in mind the tendency with which I have already presumed to invest my system—to break the force of a commercial shock—a property which can scarcely be too highly estimated.

The instabil-
ity of trad-
ing prosper-
ity no good
objection.

Some may be disposed to infer, that the sense of absolute security from risk will have the effect of inducing recklessness on the part of the Trader. It is however evident that, having

Carelessness
of Traders
little to be
feared.

Self-protect-
ing powers
of the Com-
pany.

once learned to value the benefits of Assurance, he would rarely put in peril his future participation in those benefits by such an abuse of them; but should he be so minded, the right of rejection possessed by the Company must be resorted to in its defence.

The Company will be guided in the employment of this its necessary power, by an extent and variety of information rapidly accumulating, of which the existing so called "Trade Protection" Societies afford but a limited example.

Moreover, as a check upon imprudent dealing, I suggest the assuring in all cases no more than the amount actually ventured, and not the assumed loss of profit. All usual discounts and allowances should likewise therefore be deducted from Claims advanced. But I think (the premiums being calculated to admit the payment of losses in full,) it will be found in practice that any such precaution will be ultimately unnecessary.

Fraudulent
Insolvency
considered.

But it is unfortunately true that not to involuntary causes, nor even to improvident conduct and reckless trading is the total number of Insolvencies to be ascribed; it cannot be denied that Fraud in many cases plays an important part. As regards this part of the subject, I may premise, that as Fraud has always existed, so its effects have no more than others been excluded from the review of facts upon which our speculations are based. We have only therefore to take into consideration the *possible increase* of Fraud, which there is no reason to apprehend, for not only have the efforts of the Legislature of late been more especially directed to the suppression of these offences, but the dishonest Debtor who knows his debt to be covered by an Assurance of the Company, will be consciously exposed to a more active and inevitable prosecution than would perhaps await him at the hands of a private Creditor.

Fictitious
claims con-
sidered.

A species of Fraud, however, to which the Company may be peculiarly liable, is that of *Fictitious Claims*, and it becomes really important to examine how far such fabrications by dishonest Insurers be possible, and to what extent the Company will possess power and ability to protect itself against them.

The Law of Conspiracy, with the severe penalties attached

to it, will of itself operate to render such attempts extremely unfrequent; nor would they be more formidable to a Solvency Assurance Company than they actually are, to any extant Fire, Life, Marine, or other Assurance Company, of whom no one was, is, or ever will be, entirely exempted from attempts at imposition: judicious caution in granting Assurances, and vigilance in investigating Claims must be the safeguards of our Company, as of others, and would render it hardly possible for such attempts to elude detection.

All other Assurance Companies liable to the same frauds.

Now although we know from judicial proceedings and from the evidence of those connected with Assurance, that Ships are sometimes designedly wrecked and Houses purposely set on fire with intent to defraud, etc.; yet we also know that the precautions adopted, and means taken by the Underwriters and Companies for the detection and punishment of such nefarious acts, deter many from their perpetration, and suffice to prevent the losses which accrue from these and all other causes from exceeding the anticipated average and rendering the general business unprofitable. It is a reasonable inference, that if in the prosecution of our undertaking the like risks are to be encountered, the like precautions will be equally successful.

Their safeguards equally available to a "Solvency Assurance" Company,

If there be room for doubts as to the completeness and conclusiveness of the data which form the basis of our calculations, let it be remembered that neither Marine, Fire, nor Life Assurance were, in their infancy, better provided. Nay, I may safely assert, that we have the advantage of statistical information ten times more accurate and complete than were at its outset available even to the latest of the above-named Institutions. Allow me to remind you of the distrust which beset both Fire and Life Assurance at *their* commencement, and much more recently the Fidelity Guarantee System, (all which are now flourishing Institutions,) without seeking for further examples among the many monuments of successful enterprise which were once regarded as mere chimeras. To confound difficulties with impossibilities is an error which, if indulged, might have deprived Mankind of many blessings, and doomed to premature extinction the noblest plans for its advancement. But for the skill and energy of speculative men, exerted under

which will commence operations under better auspices than attended the commencement of Fire or Life Assurance.

circumstances of more or less difficulty and discouragement, how many a problem bearing importantly on the interests and business of life would have remained unsolved.

The objects
already com-
prehended in
the system of
Assurance.

Now, if we glance for a moment at the range of objects already embraced by the system of Assurance, we see the Ship and her cargo committed to the perils of wind and wave, the Warehouse with its merchandize, the Dwelling House and its chattels, the Stack, and the Granary, all exposed to the frequent devastations of another element, not to exclude the Growing Crops liable to the destructive effects of hail ; we see Man threatened with inroads upon his resources from the ravages of disease among his Cattle—to the paralysation of his industry from its attacks upon his own person ; we see him surrounded by dependents, whom his sudden or premature death may leave helpless or defenceless,—nay, not defenceless, for this feature of the evil is obliterated by the same means which in another form protect his possessions. Even from the depredations of unfaithful servants he is efficiently secured, and the employé himself provided with the invaluable advantage of a Guarantee, which it is so difficult to obtain, and so embarrassing to require from the kindness of a Friend. The system however must be regarded as incomplete while it remains unextended to the immense amount of Capital constantly adventured in Trade and invested in Rentals,—equalling if not exceeding in the aggregate all that portion of the Public Wealth to which the science of Assurance has hitherto been applied ; and I am thoroughly convinced that so obvious a deficiency cannot much longer escape attention from the all-important interest which is concerned in supplying it.

The system
incomplete
until extend-
ed to Debts
and Rent.

Summary
of the
argument.

I trust, Gentlemen, I have made some progress in leading your minds to the same conviction. I have shown, that to Guarantee the Solvency of Traders and Tenants falls within the legitimate province of an Assurance Association, and is one essentially analogous to those which the system already includes ; that the plan is not altogether untried, and if it were, that its novelty would form no argument against its practicability. I have shown that sufficient data are at hand upon which to found its operations—that the difficulties attendant thereon

are trivial, and the objections not unanswerable. I need not expatiate on the advantage to the Trader, of a security from risk, which leaves his mind untrammelled by anxiety in the prosecution of his business, nor on the economy which I have endeavoured to illustrate in contrasting my system with that of Self-Assurance; to which I may add the reflection, that a vast National Saving must accrue from the avoidance of Law and Bankruptcy Costs, not to mention the improvement on the existing system of realizing and distributing Assets, of which I will say more presently. Permit me however to add a word concerning the morality of Trade, which would appear from recent disclosures to be at a very low ebb, but will be assisted to reach a higher standard by the influence contemplated. The imprudent Creditor, as I have said, will be restrained by fear of debarring himself from advantages which I am persuaded need but to be offered to be generally desired, and the Debtor be chary of committing himself to any questionable act which may make him the object of suspicion to Assurance Associations; certain of whose wakeful supervision, he will, on the contrary, be likely to make every effort to maintain his position as an honest trader. The important duty of prosecuting dishonest Bankrupts and Insolvents and the whole class of Swindlers, a duty so often neglected or systematically avoided by Individuals, on account of the trouble and expense attending it, will be inflexibly performed by a Company, whose interests will be so deeply and extensively involved in its due execution, that no delinquent can hope to escape conviction.

Trading
morality im-
proved.

Prosecution
of fraudulent
debtors
secured.

We commence this undertaking at an auspicious time, the Nation having recently recovered from a Commercial Crisis. Confidence and enterprise are reviving, and so much of Credit as has withstood the shock may be considered as standing on a more solid foundation.

Present time
favorable.

The immense amount of Insolvency lately exposed (and greatly overrated) need not discourage us; for however little we may be disposed to rely on the presumed periodicity of Panics, (a theory strangely according with experience,) yet the fact is indubitable, and might, if space permitted, be de-

Insolvency
on the
decrease.

monstrated by tables of Statistics,—that Insolvency is a decreasing and not an increasing evil. The Panics of 1793-4, 1810-11, 1825 especially, and even 1835-6, were each in its sphere of greater intensity than that of 1847-8; and I have found, by comparing the Insolvency returns of past years with the progress of National Wealth, as deduced from the Population, number of Traders and of Dwelling-Houses, the amount of Revenue, of Exports and Imports, the number and tonnage of Vessels, and all other items indicating the resources of the country, that those returns exhibit decennially a constant diminution.

Management
of Insolvent
Estates.

I now take leave to subjoin a suggestion relative to the subject before alluded to,—*the Administration of Bankrupt and Insolvent Estates*,—a suggestion sufficiently invited, by the acknowledged inadequate, unsettled, and always expensive character of the means afforded by Law.

Present
means of
accommoda-
tion.

To avoid an appearance in the Bankruptcy and Insolvency Courts, a private arrangement is resorted to wherever practicable, and there are two ways in which such an arrangement may be legally effected. Firstly, by calling together the Creditors and obtaining their consent to a Composition,—perhaps the most desirable, certainly the most facile mode of dealing with the case, where honest intentions on the one side are met by confidence on the other; but it is in reality a mode encumbered by great difficulties, too often arising from the absence of these conditions, usually attended by delay and uncertainty, and resulting in dissatisfaction. The other method consists in an Assignment of his Effects by an Insolvent to two or more Creditors for the benefit of all; but such an arrangement is obnoxious to the suspicion of preference, whereby the interests of the many are possibly sacrificed to the few; or, as has been frequently the case, the same thing may happen by the dishonesty of the Trustees. The evils incident to either course I propose to obviate, by superadding to the functions of the Company, the faculty of mediating between Creditors and Debtors in the character of Trustee. The Debtor, for instance, will make to the Company a full disclosure of his circumstances, which being investigated by

Improve-
ment sug-
gested, com-
bined with
the guaran-
tee of Divi-
dends and
Composi-
tions.

its Accountant, upon his favourable report, an Assignment will be taken, and the Creditors waited upon for their consent to the best Composition the Assets may warrant, to be *immediately liquidated, less a discount, or payment thereof guaranteed, without deduction, as soon as the Effects are realized.*

No distrust could attach to the Company in its capacity of mediator, as it could have therein no adverse interest; no other, in fact, than that of sustaining its own Credit by careful and economical management, and of realizing the utmost possible benefit to the Creditors, inasmuch as it will receive remuneration for its services (for that is part of my plan,) by a percentage, regulated on a sliding scale according to the rate of Dividend secured.

Advantages
of employing
the Company

Thus would be saved a large proportion of Law, Court, and Accountancy expenses. Many cases are on record in which these have consumed the entire Estate, and few in which they have not trenched largely upon the Dividend, which suffers not less encroachment by reason of the waste inseparable from forced Sales of Property and Effects. The Company will go to work in no such precipitate manner; it will be competent to the honest Debtor to place himself in its hands before ruin has become inevitable; in proper cases, advances may be made, and a catastrophe altogether avoided; and in no case will the Company be obliged to proceed to Sales under unfavourable circumstances.

In conclusion, Gentlemen, I have to solicit your inspection of the extract contained in my Appendix, taken from the published Prospectus of the Association I am endeavouring to establish; and which, if I have been so happy as to gain your attention to the foregoing Address, I cannot doubt will be honored by your approval and support.

I have the honor to be,

GENTLEMEN,

Your most obedient Servant,

CHARLES STUART CANSDELL.

APPENDIX.

Certificate from W. S. B. WOOLHOUSE, Esq., F.R.A.S., etc.

"To C. S. CANSDELL, Esq.

"SIR,—I have perused your Prospectus of the proposed "Solvency Guarantee Company," and after due consideration think it of great importance to the Commercial World, and capable of being made practicable; and I am of opinion, that the advantages offered to the Public would insure its success if efficiently carried out. A Friend on the Continent has promised to obtain some practical information on the subject for me, and I shall have great pleasure in giving you all the assistance in my power.

"I am, SIR,

"Yours truly,

"26, Cernhill, London.

"21st Sept. 1849."

"W. S. B. WOOLHOUSE,
"Actuary."

Letter from MICHAEL HAVA, Esq. of the Firm of MESSRS. HAVA & Co. London.

"To C. S. CANSDELL, Esq.

"DEAR SIR,—I have much pleasure in certifying that the Assurance of Debts and Bills of Exchange has been practised successfully for a long time in many parts of the Continent.

"I am, DEAR SIR,

"Yours truly,

"15th August, 1849."

"MICHAEL HAVA."

N.B.—Authentications of this fact I could readily multiply if it would answer any purpose. The reason for omitting them will be found in my Advertisement to the present Edition.—C. S. C.

The SOLVENCY GUARANTEE COMPANY,

(Provisionally Registered pursuant to 7 & 8 Vict. c. 110.)

Established to secure Bankers, Merchants, Manufacturers, and Traders generally, against loss by Bankruptcies, Insolvencies, Assignments, and Compositions; to insure Debts, Bills of Exchange, Promissory Notes, Banking Accounts, Bonds, etc.; to secure Landlords against Loss of Rent by Insolvent Tenants; to Guarantee and Liquidate Dividends and Compositions; and undertake the economic Management of embarrassed Estates, when such Assets are Assured. To be Incorporated by Act of Parliament. Capital £500,000, with power to increase to £5,000,000, in Ten Series of 25,000 Shares of £20 each. Deposit 2s. per Share, until complete Registration, when a call of 18s. per Share will be made; and it is confidently presumed that no farther advance of Capital will be required, but the balance to remain as a Guarantee Fund.

The Objects of this Company are,—The Assurance of Bankers, Merchants, Manufacturers, and Traders generally, from Losses by Bad Debts occasioned by Bankruptcies, Insolvencies, Assignments, and Compositions; the Assurance of Landlords from Losses by Insolvent Tenants; the Guarantee of Monetary Risks of every description; the careful Management of Embarrassed Estates, etc., etc.

Application for further Information, Prospectuses, and Shares, to be made to CHARLES WELLBORNE, Esq., Solicitor, 31, Tooley Street, Southwark, to THOS. EDEN, Esq., Solicitor, 3, Salisbury Street, Strand, or to C. S. CANSDELL, the Promoter, 11, Montague Place, Islington."

SOLVENCY GUARANTEED,

The Outline of a Plan for the Application of Assurance to Debts, Bills of Exchange, Promissory Notes, Rent, and Monetary Risks of every description, etc. etc.

BY C. S. CANSDALL.

G. MANN, 39, CORNHILL; MITCHELL AND SON, 39, CHARING CROSS.

OPINIONS OF THE PRESS.

"A Company, under the title of 'The Solvency Guarantee Company,' has been provisionally registered, pursuant to Act of Parliament. * * * Mr. CANSDALL, the originator of this Society, has issued an Address to the Bankers, Merchants, Landlords, and the Public generally of this country, giving the outline of his plan for the application of Assurance to debts, bills of exchange, promissory notes, rent, and monetary risks of every description. Mr. CANSDALL commences by stating, that the losses arising from insolvency of debtors in the United Kingdom, average annually about £65,000,000. Having ascertained the data requisite to frame the necessary calculations, he proposes to diminish the evils resulting from these defalcations by applying to them the principles of Assurance, whereby 'the insurer exempts his adventure from all hazard, and speculation is converted into certain mutual profit.' * * * *We shall always view with satisfaction the establishment of any undertaking which can efficiently carry out the very desirable objects which Mr. CANSDALL professes to have in view, in the formation of this Society.* * * * *The several pros and cons are ably discussed by Mr. CANSDALL with much candour and perspicuity.*"—*The Daily News.*

"The principles of Assurance so vastly extended during the past thirty years, are still capable of being much more widely disseminated. *There can, we think, be but one opinion on the subject, that to the guarantee of common debts, bills of exchange, promissory notes, banking accounts, bonds, rents, and monetary risks of every description, the principles of Assurance may be most safely and advantageously applied, preventing much distress and ruin, and securing handsome profits to a Company commencing business on such a basis.* Although commercial and trading prosperity is of a varying character, and at first consideration, it might be deemed impossible to arrange any tables of premiums which could be depended on—the contrary is the fact. An Address has been recently circulated by Mr. C. S. CANSDALL, being the outline of a plan for the application of Assurance to the purposes above mentioned. * * * Mr. CANSDALL shows, by indisputable evidence, that while advantage has been taken of Assurance to neutralize many descriptions of calamity, the system may, with great propriety and advantage, be extended to the Assurance of commercial capital adventured on credit. The writer concludes with a suggestion relative to the administration of Bankrupts' and Insolvents' Estates, by which a large saving would be effected in law, court, and accountant's expenses."—*The Mining Journal.*

"The title which Mr. CANSDALL has selected for his very intelligent pamphlet would appear to involve a paradox to an observer who looks only to the records of last week's Gazette. Although completely satisfied that the principle of Assurance is applicable to casualties of every class, whereof the records are constant and complete, he might yet be reasonably doubtful of its application to the Assurance of commercial capital adventured on credit, from the supposed irregular and indeterminate

nature of the events with which it has to deal. This doubt, Mr. CANSOELL undertakes to remove. He assures us that the apparent irregularity has no existence except upon circumscribed and imperfect observation. The *prima facie* evidence is in Mr. CANSOELL'S favour. Births, deaths, diseases, crimes, shipwrecks, and fires, have been subjected to the nicest calculations, and afford equally proportioned results for equal periods. *We have here a fair field for Mr. CANSOELL, and that gentleman undertakes to do the work,—nay, he has done it.* In the limits of a short, but exceedingly interesting pamphlet, it is not to be expected that Mr. CANSOELL should lay before the reader the minute data upon which he has based the calculations which have guided him in the formation of his Company; it is sufficient however, to glance over the range of varied objects already embraced by Assurance, to appreciate the strong claim his views have upon the attention and support of the trading Public; and these claims derive additional recommendation from detached instances of existing practice. These isolated illustrations show that the practice obtains in the special department chosen by Mr. CANSOELL for the operations of his Company, at the same time, that a joint stock undertaking certainly has all the advantage in operations so varied and extensive, which a well organized Company must always possess over simple personal Assurance. * * * *

"In a more extended point of view, the proposed Company must, in periods of extraordinary depression, whilst securing the individual trader, prove a most powerful engine for the warding off those commercial crises—vulgarily known as panics. We have seen houses go down like a pack of cards, the fall of one was the fall of another, and so on, until the whole commercial world was a common wreck. Such a Company as that proposed might even be adequate to stem the pressure at the onset, and by bearing the brunt of the first loss, prevent the indefinite series which would otherwise follow in its train. *We have read Mr. CANSOELL'S Pamphlet with great pleasure, and heartily recommend it to general perusal.*"—*The Railway Record.*

"A Company under the title of 'The Solvency Guarantee Company' has been started, the objects of which are, the Assurance of Merchants, Manufacturers, and Traders generally, from losses by bad debts occasioned by Bankruptcies, Insolvencies, &c. * * * * We have received an address to the commercial community, containing the outline of this plan for applying the principle of Assurance to monetary risks of every description. The idea of the the author is altogether new to this country, and is supported with considerable ingenuity."—*The Railway Chronicle.*

"It certainly does seem quite as reasonable that a man's solvency should be the subject of guarantee, as that a sum of money should be paid or received upon the contingency of any event; and therefore, the Company or Companies now in course of formation for that purpose, are quite as legitimate in their character, as any other Company or Companies which base their business upon the doctrine of chances. Insurance can be effected against loss by fire and loss by water; Assurances are daily given upon life, which involves calculations embracing the acts of providence; why, therefore, should not the capacity of a debtor to pay his creditor be equally the subject of speculation, as the operation of the elements, or the working of the will of God? * * * * The principle is not new, for at this moment a modification of the plan proposed to be carried into effect is practised by insurance and produce brokers, as a part of their regular trade and business; and the bill discounter stands in the same predicament also, to all intents and purposes. *If there were as many Companies of this description in operation as there are ordinary Insurance Companies in existence, it would not be possible to produce those financial crises which yet the commercial world, from time to time in this country, or those pecuniary panics which, to speak literally, 'fright the Isle from its propriety.'* * * * * A well written exposition of the principles of a Solvency Guarantee, under the title of 'Solvency Guaranteed,' has just been published by T. S. CANSOELL, wherein the subject is treated at considerable length, and with great ability * * * it cannot be too strongly recommended to the general reader for perusal in the abstract furnished in another column, or in the concrete as set forth in the

work itself. An improved state of society requires new modes of transacting business; mayhap this is one of those modes."—*The Observer.*

"A Company is projected in London, for Assurance against losses by Bad Debts and Insolvent Tenants. * * * This Pamphlet contains the outline of the plan for the application of Assurance to Debts, Bills of Exchange, Promissory Notes, Rent, and Monetary Risks of every description, and for the establishment of an economical system for the administration of bankrupt and insolvent estates, combined with the guarantee of dividends and compositions thereon. The author, Mr. CANSDELL, is establishing the 'Solvency Guarantee Company,' and has published this Pamphlet to explain its objects and demonstrate its advantages."—*The Standard of Freedom.*

"GUARANTEE FROM LOSSES BY BAD DEBTS.—A Company under the title of "The Solvency Guarantee Company," has been provisionally registered pursuant to Act of Parliament, the objects of which are, the Assurance of Merchants and Traders generally, from losses by Bad Debts; the Assurance of Landlords from Losses by Insolvent Tenants; the Guarantee of Monetary Risks of every description; the careful management of embarrassed estates, &c. &c. We shall always view with satisfaction the establishment of any undertaking which can carry out the very desirable objects which Mr. CANSDELL has in view in the formation of this society. The novelty of the plan forms no argument against its practicability, and whatever obstacles may oppose in the outset, to confound difficulties with impossibilities, is an error which might prejudice the noblest plans for our advancement."—*The London Weekly News.*

"Assurance is certainly a growing principle with us—as any one who casts his eye over the names and claims of the new schemes will hardly fail to be convinced. * * * Some of the projects are curiosities in their way. * * * Perhaps the most novel, is the 'Solvency Guarantee Company,' which undertakes to protect its members from bad debts: *we apprehend this concern will find plenty of business in its peculiar line.*"—*The Athenæum.*

"ASSURANCE AGAINST DEBT.—The principle of Assurance has hitherto been confined to the mere purposes of provision against loss by death, fire, or chances of wreck, but now it is proposed to extend the principle as a guarantee against loss by bad debts. In an 'Address to the Bankers, Merchants, Landlords, &c., of Great Britain,' by Mr. C. S. CANSDELL, it is proved that the average of trade losses is as readily determinable as the average duration of life; therefore the principle of Assurance may be as well applied to the saving of loss from bad debts as the recovery of wealth from the effects of storm or death. This point is ably argued by the writer. If, says he, one commercial failure causes many, as we know it does, the ruin of the majority may be averted by the Assurance of the principal debtor; *it follows, therefore, that if all men in business were to enter into a friendly Assurance against debt,—by all bearing a fair proportion of the charge, according to the amount of actual risk incurred,—no positive loss could accrue to the community.* There is no doubt, that a Solvency Guarantee Fund would be a successful speculation; and, as the principle is good, it is certain that its application may be extended with advantage both to the promoters and the public."—*Howitt's Journal.*

"SOLVENCY GUARANTEED.—This ably written Pamphlet suggests a plan for the application of the principle of Assurance to commercial and business transactions, so as to provide a guarantee against losses through insolvency. It shows that trading operations are as much subject to the laws of probability as life itself, and that as the average of trade losses are determinable, they may be provided for in the same manner as a man by insuring his life provides for his family after his decease. We recommend the work to the attention of all who wish to avoid suffering from the accidents and contingencies inseparable from business transactions of any description."—*The London Journal.*

"THE SOLVENCY GUARANTEE COMPANY.—In a Pamphlet by Mr. C. S. CANDELL, an outline is given of a plan for applying the principle of Assurance to debts, bills of exchange, promissory notes, banking accounts, bonds, rents, and monetary risks of every description, together with the guarantee of dividends and compositions upon insolvent estates. *The practicability of this plan is the only question to be considered, for none can exist as to the importance of the objects sought to be achieved.* Mr. CANDELL, the promoter of this plan, sets out by referring to the general principle of Assurance, whether of a ship, a life, against fire, or other casualties; in all of which, on the attaining proper statistical data, a fixed per centage may be determined on, as a premium adequate to remunerate an insurer for his guarantee against loss. *This principle of Assurance, Mr. Candell justly observes, is applicable to all carnities, the records whereof are constant and complete.* * * * * His arguments are sufficiently cogent to show, that many, if not all of the benefits contemplated by his plan are practically attainable. The chief obstacle to assuring against insolvency is the irregular and indeterminate nature of the events to be dealt with. But Mr. CANDELL contends that, 'let a sufficiently extended periodical average be taken, and the results obtained are uniform. The number of insolvencies in any one year may exceed or fall short of the true average, but extended over decennial or longer periods, discrepancies vanish and uniformity results. Mr. CANDELL supports this proposition, by referring to those documents which contain information respecting the statistics of trade. *The Parliamentary returns, public records, gazettes, and every other attainable source, he has, at the cost of much toil and expense, explored.* * * * * But independently of theory, existing practice confirms his conclusions. Insurance Brokers, for an additional premium, will guarantee the solvency of an underwriter. The 'del credere,' of the produce broker is common. For an extra per centage, that broker guarantees the solvency of the buyers; and the commission merchant assures his correspondents. The difference between credit prices and ready money prices, recognises the principle contended for; as is also the case in the higher rates charged by bill discounters. In America, it is a common practice to guarantee bills of exchange, the consideration varying according to the character of the bill. It is common with Continental Bankers, to guarantee not only bills of exchange, but ordinary trade debts, even without any documentary acknowledgment of the debtor. From the data thus afforded, the effects may be judged of a Company organised on an extensive scale, and covering a range of dealings sufficiently wide to fix a determined average within unalterable limits. *From the formation of such a Company, the periodical convulsions witnessed in the commercial world might be permanently averted.* * * * *

"The objections noticed by the proposer are, First—That the cost of Assurance must be met by an imposition on the goods." But this impost is already levied in credit prices. Second—'It may be said that a crowd of failures may occur, from causes so uncontrollable as to defy provision.' But past catastrophes have been calculated upon, in determining the average during adequate periods, and no future catastrophes more appalling than those already experienced, can be contemplated. Let the past calamities be paralleled in times to come, and they will form but parcels of the facts provided for in the estimates of the premiums of Assurance. *In addition to this, as far as a catastrophe may be attributable to PAUSE, the existence of such an Assurance Company would break the commercial shack, AND BE, IN THIS RESPECT, A MOST ESTIMABLE ADVANTAGE.* Third—'The sense of security from risk, might induce recklessness in the Trader.' The rights of objection by the Company, and the fear of its exercise, would warn the trader against an abuse of the benefits offered; whilst the rapid increase and variety of the Company's information, would furnish an unerring guide to the Company's exercise of its rejecting power. Fourth—'Fictitious claims might be fabricated by dishonest insurers.' Fire, life, marine, and other Assurances, are liable to and provide for, cases of fraud, and the precautions which suffice for other companies would be no less vigilantly adopted by the Company now proposed. Fire and Life Assurance, and the more recent guarantee system—all now flourishing in prosperity—were at their commencement beset with mistrust. But the confounding of the difficult with the impossible, is an error which would have deprived mankind of many of the greatest blessings now enjoyed. * * * * This Company would essentially serve the trading community by causing debtors to be guarded against questionable acts, which might render them subjects of suspicion to Assurance Companies. * * * * This undertaking is commenced at an auspicious time, the nation having recently recovered from a commercial crisis, and credit placed on a better footing. * * * Mr. CANDELL proposes also to obviate the evils incidental to arrangements made by compositions or conveyances to trustees to avert bankruptcy. The Company offers, on a full disclosure of his circumstances by the debtor, and a favorable report by their accountants, to take an assignment, and immediately pay to the creditors (less a discount,) the best composition the estate will warrant, or guarantee the composition without deduction as soon as the effects are realized.

"The above is the project of the 'Solvency Guarantee Company,' which has been provisionally registered, and is proposed to be incorporated by Act of Parliament, with a capital of £500,000, and power to increase to £3,000,000, in ten series of Shares of £50 each."—*The Observer*, (second notice.)